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Wine Market Brief - Opportunities and Regulations

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Report Highlights:

The Czech economy is slowly recovering from the financial crisis and wine sales have picked up. Thirty California wineries will visit Prague March 19 for the Wine Institute of California's California Dreaming Festival, organized by the FAS Prague office in the American Embassy and hosted by Charge d'Affaires Mary Thompson-Jones. The Czech Republic imported over \$160 million in wine in 2009. Domestic consumption is growing raising wine imports and wine production and exports are increasing as well. About one thousand hectares of Czech wine country is yet unplanted so with current trends wine production and export can continue to grow. California and other U.S. origin wines are sold in the Czech Republic and are best positioned to make sales into specialized wine shops, hotels and restaurants. The Czech consumer is at a relatively low level of wine consumption, just 20 liters a year, equal to the United Kingdom but less than the 100 liters in France. With its popularity wine sales will grow, presently about 3 percent a year overall but faster

in the expensive wine categories. Prague – a European cultural capital – is seeing growth in wine bars and other high end consumer venues pointing to a bright future.

General Information:

After the Czech Republic's accession to the European Union, the Czechs gained the right to profit from the advantages of an open, common market. Thanks to this wine imports from abroad have increased significantly in the last few years. Now more than half of wine sales come from abroad. U.S. wine has become quite popular in the Czech Republic mostly due to the different taste comparing to European wines. U.S. wine exporters face competition in the Czech Republic; Argentina, Chile and Australia offer less expensive wines and so they have been promoted and presently are in demand.

However, the Wine Association of the Czech Republic expects continuing growth in wine consumption in the next few years. The demand for high quality wines by Czech consumers has increased, thus the retailers, restaurants and hotels must respond to this new trend. Currently in the Czech Republic especially in Prague, there are many new hotels and franchise restaurants. Because of high competition, these new companies are offering new and high quality wines in order to attract their customers. Thanks to this, the Californian wines might have high potential in the upcoming years.

Wine Festivals and Trade Fairs in the Czech Republic

VINEX 2010

15th International Wine Fair

March 2-3, 2010, Brno

www.salima.cz/vinex

Vino a destilaty (Wine and Spirits)

International Trade Fair for Gastronomy

April 27-29, 2010, Prague

www.vinodestilaty.cz

Wine salon of the Czech Republic

Wine competition in the Czech Republic

<http://www.vinarskecentrum.cz/index.php?kde=salon&co=salon>

More information about wine festivals and trade fairs in the Czech Republic can be found at:

www.wineofczechrepublic.cz

With questions contact agprague@fas.usda.gov

Labeling Requirements:

The labeling is mandatory for grapes wines other than sparkling or aerated sparkling wine. The main requirements for labeling are:

- Country of origin
- Actual alcoholic strength
- Nominal volume
- Lot number (meaning a quantity of wine that has been produced and/or bottled under nearly identical conditions)
- Importer of bottle
- Allergenic ingredients.

The Compulsory information must be easily readable and appear on the front label of the bottle. For complete overview of the wine labeling requirements within European Union, please see GAIN report E36067: [http://www.fas.US \\$a.gov/gainfiles/200604/146187574.pdf](http://www.fas.US $a.gov/gainfiles/200604/146187574.pdf)

Other Regulations and Requirements:

The EU has a unified tariff schedule, which can be found at:

http://ec.europa.eu/taxation_customs/dds/tarhome_en.htm

TARIC	Code Description
2204	Wine of Fresh Grapes, including fortified wines
2204 10	Sparkling Wine
2204 21	Other Wine, grape must with fermentation prevented or arrested by the addition of alcohol
2204 30	Other Grape Must

Please notice that each of this group has also its subgroup. For example Champagne has TARIC code 2204 10 11, under its dominant group Sparkling Wine.

In the Czech Republic, the excise tax for still wines has been currently zero. Sparkling wine has excise tax of 2,340 Kc/Hl (US \$122.8/hl according to exchange rate in 2009).

Requirements for wine import from the third countries to the European Commission

The obligatory documents to present at the point of entry:

- Certificate issued in third country, from which the product originates, by the competent body that is listed in Schedule 6 (Nov 06) published by the Commission at:

http://ec.europa.eu/agriculture/markets/wine/lists/index_en.htm

- Report provided by the competent body of the third country from which the products originates

The certificate and report shall be completed on separate form VI 1 (Annex IX to Regulation (EC) No. 555/2008) or VI 2 (Annex X to Regulation (EC) No. 555/2008).

The requirements are based on the Council Regulation (EC) No 1234/2007 as amended by Council regulation (EC) No. 491/2009, Article 158a paragraph 3 of Commission Regulation (EC) No. 555/2008, Article 40-42.

Production:

The total usable area for grape production in the Czech Republic is around 19,300 hectares, of which the planted area is about 18,500 hectares. Estimated average yield of grapes is 5 tons per hectare. Czechs grow white and blue grapes, not reds; white grapes are two thirds of the total planted area, whereas blue grapes are about a third. The favorite varieties of white grapes are Müller Thurgau, Veltlinske zelene, Ryzlink vlassky and Ryzlink Rynsky. From the red grapes are mostly present varieties of Svatovavřinecké, Frankovka, Zweigeltrebe a Rulandské modré.

There are two main regions where grapes are grown; these regions are Bohemia and Moravia. The crucial production area is Moravia with 96 percent of all vineyards. In recent years, the Czech wine market has faced new challenges mostly thanks to changes in market demand. Most consumers prefer higher quality wines. One of the largest wine producers in the Czech Republic, Bohemia Sekt, announced that they sold fewer wine bottles in (CY) 2009 compared to previous years. However, other companies are getting their products sold in wine exports.

With the entry to the European Union in 2004, the Czech Republic had to commit that the acreage of vineyards will not be increased. For that reason, in the Czech Republic there is a maximum planted acreage of around 19,300 hectares, so one thousand hectares is unused. Compared to previous years the production has been on the rise. Two years ago the production level was between 600,000 – 630,000 hectoliters. One hectoliter equals one hundred liters. Last year the domestic wine production reached a record of 820,000 hectoliters. The winemakers association calculates approximately that in 2009 the production reached 840,000 hectoliters.

Consumption:

Wine consumption in the Czech Republic is on an increasing trend. According to research from the Mendel University in Brno, consumption has been increasing every year by 9 to 10 percent. In comparison with previous years where consumption was around 17-18 liters per capita, in (CY) 2009 the average consumption of wine reached almost 20 liters per capita, according to the Winemakers Associations of the Czech Republic. Nevertheless, this number is still very low compared to the level of consumption in other European countries such as France and Italy where the per capita consumption is more than 100 liters per year. Of course one factor in traditionally low wine consumption is that the beer in the Czech Republic is so fantastic, but local tastes are changing towards wine and those tastes are for imported varieties.

The consumption of wine was also influenced by the economic crisis in 2008 and 2009. It was estimated that the sale of wines decreased in amount in (CY) 2009. The Czech winemakers experienced a drop in sales, especially in middle and higher price category of wines, due to the crisis. Consumers preferred cheaper wines. The decrease in sales is mostly seen in the hotels and restaurants. Some winemakers reported that the sales to the restaurants dropped by 30-50 percent. According to statistical research, Czech consumption of white wine has increased and forms almost 60 percent of the total wine consumption.

Czech Republic has been traditionally viewed as a country with high consumption of beer. According to estimates, beer faced only a small drop in sales. However, the new developing trend related to health and wellness is becoming more cultured and consumers believe that drinking wine is wealthier compared to beer. This will be reflected in the fact that value of wine sales is expected to increase due to shift to more premium products in next years.

Trade:

After the accession of the Czech Republic to the European Union in 2004, the conditions for import and export have significantly changed. Currently, the Czech wine market is experiencing an increase not only in imports and exports but also in the consumption. It was calculated that since 2005 the average wine export increased by almost 15 percent. In the last few years the wine import on average increased by 68,000 hectoliters, and the export increased by 37,000 hectoliters as well as the consumption.

Moravian and Bohemian wine-growers are exporting more of their wines, finding great success in the international market. Czech wine producers have been awarded with prestigious prices at international competitions such as San Francisco International wine Competition, MUVINA 2009, and Selections Mondiales des Vins Canada.

Nevertheless, the Czech wine market has changed, Slovakia is still the largest importer of the Czech-produced wine, where was approximately exported 152,910 hectoliters in (CY) 2009 worth of US \$17,831 thousand. New World wines from Argentina, Chile, and the United States and Oceania's Australian wines have become the most sought-after bottles in the Czech Republic. According to import statistics sales increased in calendar year 2009 by almost 90 percent. However, trade statistics prove that the largest importers to the Czech Republic are still European countries headed by Italy, Hungary and Spain. For more details please see Table 3.

According to the Czech Statistical Office (CZSO) the value of wine imports to the Czech Republic in (CY) 2009 is estimated at US \$166.4 million. On the other side the exports were estimated at the value of \$20.5 million.

Last calendar year the Czech Republic imported 1,427,258 hectoliters of wine. In calendar year 2008 the imports reached 1,477,271 hectoliters. The statistics show that the share of imported white wine in 2009 from the total imports is around 47 %, and share of red wine is 48%. On the other side, the exports of the Czech Republic were 182,167 with average price US \$ 1.1 per liter. The share of white and red wine out of total exports is approximately 51% of white wine and 47% of red wine.

